

Update on the Downtown Arena

Recommendation:

1. That Council approve the advancement of Option A as the basis for design of a downtown arena in accordance with the agreement with the Katz Group.
2. That Council approve the revised negotiated framework for the design and construction of the Option A arena as per Attachment 2 to the January 23, 2013 Sustainable Development report 2013SGM002.
3. That Administration enter into a Master Agreement, a Tax Agreement under s. 333.1 of the Municipal Government Act, and all other agreements necessary to finalize the design and construction of the Downtown Arena and associated infrastructure and that the agreements be in a form acceptable to the City Manager.

Report Summary

This report responds to Council's direction to explore options to achieve the long term goal of sustaining NHL Hockey in Edmonton and provides an update on Arena negotiations.

Previous Council/Committee Action

At the October 17, 2012 City Council meeting the following motion was passed:

That Administration provides a report outlining a framework for Council to explore potential avenues to achieve the long term goals of sustainable NHL Hockey in Edmonton.

At the December 12, 2012, City Council meeting the following motion was passed:

1. That Administration re-opens negotiation with the Katz Group based on the October 26, 2011, Framework.
2. That Administration negotiates an extension in the deadline in the Land Inventory Agreement from December 31, 2012 to April 30, 2013.
3. That Administration work with the Katz Group to identify and appoint an individual who could act as a Mediator by January 23, 2013.
4. That the Mediator appoints a financial analyst to evaluate the City's and the Katz Group's financial assumptions and analysis for the arena revenue and expenses.
5. That Administration work with the Katz Group, under the support of the Mediator, to evaluate all other non-financial issues.

Report

Background

In 2007 a report commissioned by Northlands found it would cost \$250 million to renovate Edmonton's NHL arena, Rexall Place, to meet present day arena standards for the NHL.

In the same year a committee of community leaders, appointed by the Mayor, recommended in the "*City Shaping*" report that Edmonton needed a new arena. The report also stated "the greatest opportunity for Edmonton lies in developing a new facility that will revitalize our downtown and add to the excitement that is just starting to build in our core." Committee members also recognized public support would be required to be successful.

The Capital City Downtown Plan, approved by Council in 2010, confirmed the importance and catalyst nature of an arena and entertainment district in the downtown.

In October 2011, the Mayor met with NHL Commissioner Gary Bettman and Edmonton Oilers' owner Daryl Katz and developed a framework to advance the arena project. Subsequently, at the October 26, 2011 regular Council meeting, Council approved a 17-point framework, based on the New York meeting, to design and build a downtown arena. As well, Council passed a motion that directed Administration to enter into an Interim Design Agreement with the Katz Group for the design of a first class, multi-purpose facility that meets or exceeds the standards of design, construction and capabilities of recently constructed NHL facilities.

The approved 2011 framework outlined a funding model that included:

Arena:

- \$125M City contribution
- \$125M ticket tax
- \$100M Katz Group contribution
- \$100M provincial contribution

Related Infrastructure – City Contribution:

- \$25M maximum for the Winter Garden
- \$25M land purchase
- \$15M for pedestrian corridor
- \$17M LRT connection
- \$ 7M City community rink (contingent on matching contributions from other orders of government).

The Katz Group established the Edmonton Arena Corporation (EAC) and it was engaged by the City as the agent to advance the design. In the spring of 2012 public consultations on the designs were received positively.

In an update to Council on October 17, 2012, Administration identified items that had arisen during negotiations that were outside the scope of the 2011 framework. At that time Council directed Administration to suspend negotiations with the Katz Group and explore options to sustain NHL hockey in Edmonton.

In December, 2012 Council directed Administration to reopen negotiations with the Katz Group.

Design Options

Further to Council's direction in October 2012 to explore potential avenues to achieve the long term goals of sustainable NHL Hockey in Edmonton, City Administration had two additional design options developed. Additional value engineering was also undertaken for the original design option. Administration was guided by the following principles in exploring options for a downtown arena:

1. Edmonton seeks to have an arena that meets NHL standards and provides a first class multi-purpose facility for concerts and events.
2. NHL hockey is sustainable in Edmonton.
3. The City's financial position is not compromised by the cost of the arena project.
4. Design must optimize arena revenues for NHL and other events.

5. Leverage municipal, provincial, owner and user contributions.
6. Maximize catalyst opportunities for the downtown revitalization.

The following three options are the result of the design work undertaken.

Option A

Design Elements

This option is essentially similar to the design developed collaboratively with the EAC and was shown to Council and the public last spring. The following program elements have been retained:

- Multi-purpose arena
- Underground parkade
- Enclosed elevated pedestrian link over 104 Avenue (Wintergarden)
- Internal pedestrian corridor (Pedway)
- LRT lobby
- Community rink
- Private sector development on the north side of 104 Avenue.

Design changes include: a redesign of the Wintergarden to more closely align with the original \$50M (2011 Framework). The iconic stainless steel cladding for the Arena has been largely retained, but is executed in a more cost-effective manner. The interface between the arena and Wintergarden was redesigned for cost savings.

The Master Plan prioritizes the street level pedestrian option by placing over 80% of all commercial programs within the master plan at grade. The Wintergarden effectively provides an all weather staging area for the Arena as well as a link over 104 Avenue to a plaza and business area.

Option A comments:

- Wintergarden design provides an all weather staging area and supports the immediate commercial and business opportunities on developed lands to the south.
- Design closely aligns to the option shown and publicly supported in Spring 2012.
- Wintergarden costs more closely align with the \$50M budget set out in the 2011 Framework.
- Construction would start in August 2013 through a phased Guaranteed Maximum Price (GMP). Significant design changes have resulted in a delay in providing a 100 per cent GMP. This will be available once all trade packages have been received by the end of 2013.
- It meets current NHL and entertainment venue standards.
- There is a guaranteed tenant.

Option B

Design Elements

This option contains the following program elements:

- Multi-purpose arena
- Above-grade parkade
- Open, elevated pedestrian link over 104 Avenue
- Internal pedestrian corridor (pedway)
- LRT lobby
- Community rink
- Small private sector commercial development at street level on the north side of 104 Avenue.

This option includes an above-ground parkade with access from 102 Street. The Winter Garden has been replaced with an open, elevated pedestrian link.

Option B comments:

- Reduces expenditures for the Wintergarden but increases costs for the arena cladding where the Wintergarden was located.
- Results in additional redesign costs being incurred.
- Removal of the full Wintergarden concept weakens linkages to potential developments to the south and is less desirable for arena staging and event use.
- Parkade placement reduces private development adjacent to the arena.
- Construction may start in September 2013 through a phased GMP. Significant design changes result in a delay to arrive at a 100 per cent GMP. This will be available once all trade packages have been received in early 2014.
- This option meets current NHL and entertainment venue standards.
- There is no guaranteed tenant.

Option C

Design Elements

This option contains the following program elements:

- Multi-purpose arena
- Above-grade parkade
- LRT lobby
- Community rink
- Small private sector commercial development at street level on the north side of 104 Avenue.

In this option the ice surface has been dropped 4.7 metres below the elevation of 104 Avenue; the elevated pedestrian link and internal pedestrian corridor have been removed. Access to the above-grade parkade is from 102 Street, and all loading facilities are located below-grade and accessible from 105 Avenue. There is no requirement to

access the arena from the west. Private sector commercial development opportunities exist along 104 Avenue and 102 Street.

Option C comments:

- While the actual construction costs are reduced, comprehensive redesign increases costs to the project and delays construction start to March, 2014.
- Potential conflicts between pedestrian and vehicular traffic on 104 Street.
- Design limits north-south connection to surface level only.
- Substantial changes in the design may result in the need for further public consultation.
- Removal of the Wintergarden removes the all-weather staging area and weakens linkages to potential commercial developments to the south.
- This option meets current NHL and entertainment venue standards;
- There is no guaranteed tenant.

Finance Options

Attachment 1 outlines the estimated costs associated with each option.

In Option A the proposed funding model is as outlined in the 2011 Framework and modified in accordance with the proposed agreement.

In Options B and C there would be no private capital investment and at this time no tenant for the facility. Operating model alternatives would need to be negotiated.

The City's contribution for all options is similar, but Option A provides a more iconic structure in support of the

Downtown Plan objectives and a guaranteed tenant.

A model using the “condominiumization” of seats has not been pursued based on earlier discussions, which found this model borrows from future revenues.

Land Inventory Agreement

An amended Land Inventory Agreement extending the deadline was executed December 12, 2012.

Recommended Negotiated Framework

Subsequent to Council’s direction in December 2012, Administration interviewed a number of potential mediators. While that process was undertaken, Administration continued to act on Council’s direction to resume negotiations with the Katz Group based on the October 26, 2011 Framework.

Administration and the Katz Group met numerous times. The meeting held on Friday, January 18, 2013 was also attended by the Mayor, Darryl Katz and Gary Bettman, the NHL Commissioner.

As a result of that series of meetings, Administration is recommending that the City enter into an agreement with the Katz Group based on the revised negotiated framework in Attachment 2.

Policy

The Way We Live, Edmonton’s People Plan:

- 1.1 The City of Edmonton provides opportunities in neighbourhood, community and public spaces to connect people and build vibrant communities.

- 2.6 The City of Edmonton hosts world leading arts, cultural, sports and entertainment events at venues that attract a local, regional and global audience.
- 5.2 The City of Edmonton showcases its vibrant arts, culture, entertainment, sports and retail districts.

Corporate Outcomes

The Way Ahead, City of Edmonton Strategic Plan, 2009 – 2018:

- Transform Edmonton’s Urban Form
- Improve Edmonton’s Livability
- Ensure Edmonton’s Financial Sustainability

Budget/Financial Implications

The acceptance of the framework and moving forward on this project will require the approval of a capital project profile and a capital budget.

Upon approval of the proposed revised framework and the signing of the agreements necessary for this project, Administration will bring forward the required capital profile and capital budget.

Justification of Recommendation

1. Option A in association with a modified agreement with the Katz Group meets the goal of sustaining NHL hockey in Edmonton and realizes the City's vision for an arena and entertainment district that contributes to the ongoing revitalization of our downtown.
2. The recommended framework represents the culmination of a long negotiation that provides a fair deal for both the City and the Katz Group.
3. The approved framework will provide the direction to Administration to finalize the agreements associated with the design and construction of the Downtown Arena and its associated infrastructure.

Attachments

1. Option Costs
2. Recommended Negotiated Framework

**Downtown Arena Options
Report to Council January 23, 2013
(Costs in Millions)**

| Option A | | | | | |
|---------------------|------------------|------------------|------------------|------------------|------------------|
| Element | Estimated Cost | City Funding | KG Funding | Ticket Surcharge | Other Government |
| Arena | \$ 480.00 | \$ 140.00 | \$ 115.00 | \$ 125.00 | \$ 100.00 |
| Winter Garden | \$ 53.00 | \$ 25.00 | \$ 28.00 | | |
| Pedestrian Corridor | \$ 15.00 | \$ 15.00 | | | |
| LRT Connection | \$ 7.00 | \$ 7.00 | | | |
| Community Rink | \$ 21.00 | \$ 7.00 | | | \$ 14.00 |
| Arena Land | \$ 25.00 | \$ 25.00 | | | |
| Totals | \$ 601.00 | \$ 219.00 | \$ 143.00 | \$ 125.00 | \$ 114.00 |

| Option B | | | | | |
|---------------------|------------------|------------------|------------------|------------------|------------------|
| Element | Estimated Cost | City Funding | Tenant Funding | Ticket Surcharge | Other Government |
| Arena | \$ 493.00 | \$ 153.00 | \$ 115.00 | \$ 125.00 | \$ 100.00 |
| Pedestrian Bridge | \$ 15.80 | \$ 7.90 | \$ 7.90 | | |
| Pedestrian Corridor | \$ 15.00 | \$ 15.00 | | | |
| LRT Connection | \$ 7.00 | \$ 7.00 | | | |
| Community Rink | \$ 21.00 | \$ 7.00 | | | \$ 14.00 |
| Arena Land | \$ 25.00 | \$ 25.00 | | | |
| Totals | \$ 576.80 | \$ 214.90 | \$ 122.90 | \$ 125.00 | \$ 114.00 |

| Option C | | | | | |
|----------------------|------------------|------------------|------------------|------------------|------------------|
| Element | Estimated Cost | City Funding | Tenant Funding | Ticket Surcharge | Other Government |
| Arena | \$ 511.75 | \$ 171.75 | \$ 115.00 | \$ 125.00 | \$ 100.00 |
| Winter Garden/Bridge | \$ - | \$ - | | | |
| Pedestrian Corridor | \$ - | \$ - | | | |
| LRT Connection | \$ 2.75 | \$ 2.75 | | | |
| Community Rink | \$ 31.75 | \$ 17.75 | | | \$ 14.00 |
| Arena Land | \$ 25.00 | \$ 25.00 | | | |
| Totals | \$ 571.25 | \$ 217.25 | \$ 115.00 | \$ 125.00 | \$ 114.00 |

Summary of Negotiated Framework

| October 26, 2011 Framework | Recommended Negotiated Framework |
|---|--|
| Sustainability of NHL Hockey in Edmonton is a prime consideration. | No change |
| The arena building project (which includes 350 parking stalls) has a maximum price \$450 million. | Upset (maximum) price is \$480 million with the \$30 million increase to be split 50/50 between the City and the Katz Group |
| The Katz Group will pay the principal and interest costs associated with \$100 million of capital cost over 35 years through a lease payment of approximately \$5.5 million (based on October 2011 cost of borrowing – actual lease payment will be dependent on actual costs of borrowing).. | The Commitment is increased by \$15 million to cover half the projected increase in the cost of the arena building – total commitment to be paid as rent over 35 years (including interest). |
| User fee levied through ticket surcharge to generate \$125 million plus interest to fund the capital project. | <p>Ticket surcharge to be levied by the City with the rate to be determined by Edmonton Arena Corp (EAC). The rate to be at least sufficient to fund principal and interest payments for the repayment of the \$125 million of initial capital over a 35-year term and a \$1.5 million annual contribution to on-going major capital rehabilitation and replacement. The contribution to major on-going capital will be reviewed in 15 years. Funds generated by the surcharge in excess of this amount will be retained by EAC.</p> <p>A ticket surcharge will be levied on admissions at Rexall Place and shall be at the same rate as the ticket surcharge to be charged on non-hockey events at the Downtown Arena, to a maximum of 7%. The proceeds of this surcharge will be remitted to the City.</p> |
| City of Edmonton contribution of \$125 million to the arena building will include up to \$45 million to be funded by a Community Revitalization Levy. | The Commitment is increased by \$15 million to cover half the projected increase in the cost of the arena building for a total of \$140 million. Ultimate funding sources for the City's contribution to be approved by Council. |
| Land to be purchased at the same price and on the same terms and conditions as in the current purchase agreements plus | No change with the exception that Administration negotiated an extension in the deadline in the Land Inventory |

| | |
|---|---|
| third party costs associated with the land acquisition and zoning. | Agreement from December 31, 2012 to April 30, 2013 as per Council direction. |
| The City's costs to build an LRT connection to the arena will be capped at \$17 million. | The City's costs to build an LRT connection to the arena will be capped at \$7 million. The City is responsible for all operating and on-going capital costs for the LRT connection. |
| Administration reported the City cost of the pedestrian corridor through the arena would be capped at \$15 million | No change. |
| Pedway (Winter Garden Bridge) over 104 Avenue is required adjacent infrastructure funded outside of the arena building. Katz Group and City each pay half of cost; however, the City contribution is limited to no more than \$25 million. The Katz Group contribution will be amortized over the 35 year term of the lease with interest costs included. | Clarification that If the net cost exceeds \$50 million, Katz Group is to cover overage. "Net Cost" means the gross cost of the Wintergarden less the reasonable value of the retail commercial space in the south end of the Wintergarden. |
| Community rink to be constructed adjacent to the arena contingent on funding from the federal and provincial government. City's share to be limited to one-third of the cost, which is not included in the cost of the arena building. The City is to operate the community rink with all revenues and costs accruing to the City. | The City will proceed with the construction of the community rink for a maximum of \$21 million. City to own and operate the rink with all revenues and costs accruing to the City. However, EAC will act as an agent for the City to solicit advertising and sponsorship revenue without commission or restriction in conjunction with advertising and sponsorship of the arena. This provides an opportunity for the City to share in the upside of sponsorship packages that include the community rink. Approval of sponsorship proposals for the community rink rests with the City. |
| Katz Group to have option for 3 ten-year lease extensions. | EAC to have first right to negotiate up to 3 lease extensions for ten years and will have the first right of refusal on any subsequent lease or land and building sale negotiated with a 3rd party. |
| | In the event of an EAC default under the lease, Rexall Sports Corp. (RSC), owner of the Edmonton Oilers, shall be obliged to cure the defaults under the lease and assume all obligations under the lease in place of EAC. Alternatively, RSC may enter into a commitment to fund payments associated with the EAC's \$140 million |

| | |
|--|--|
| | contribution under a new lease with the City that is consistent with the existing Rexall Place lease (including F&B rights for hockey, but not in respect of other events, and excluding any reversion of ticket tax to RSC). In any event, the City will have in place a ticket tax bylaw at a level sufficient to sustain the capital maintenance levels specified in the lease with EAC and to protect the City for the \$125 million ticket tax related debt. |
| The Katz Group is to operate the new arena and is to pay all operating expenses, capital maintenance and repair (both major and minor) and taxes and receive all operating revenues, including naming rights parking revenues. | <p>EAC will operate the new arena and will pay all operating and maintenance expenses. Major building capital rehabilitation and replacement will be the responsibility of the City to be funded with \$1.5 million annually from the ticket surcharge. All other maintenance and capital enhancements and productivity improvements will be the responsibility of EAC. The City and the Katz Group have agreed on a definition of Capital Maintenance Costs and on an allocation of responsibility.</p> <p>EAC will pay all required Education Property Taxes. The municipal property taxes to be paid by EAC and affiliates are to be a maximum of \$250,000 annually. This amount will be reduced to the extent that the aggregate municipal taxes levied on the arm's length sub-tenants of the Arena carrying on business only within event hours exceeds \$250,000 annually.</p> |
| <p>The land assembly is to be completed by October 31.</p> <p>The design process is to commence as soon as possible. The City will fund the cost of design to a 60% level on which the tender documents will be based in order to get the best possible Guaranteed Maximum Price for the arena. The cost of the design would be part of the \$450 million cost of the arena. The conceptual design work completed to date is owned</p> | <p>In order to move forward on the arena on a timely basis, the projected start date for construction would be August 2013 through a phased Guaranteed Maximum Price (GMP).</p> <p>The City will continue to work to secure a \$100 million contribution to the project from the Province.</p> |

| | |
|--|---|
| <p>by the Katz Group. If either party elects not to complete the deal, the City will have ownership rights to the design work undertaken by the City.</p> <p>The City will continue to work to secure a \$100 million contribution to the project from the Province.</p> | |
| <p>The Katz Group waives the requirement for the non-compete clause.</p> <p>The City has agreed that a competitive market between Rexall Place and the new arena requires a level playing field and so, once the new arena is open will eliminate any subsidies to Rexall Place. A supplementary ticket surcharge will also be levied against all admissions at Rexall Place in the future at the same percentage (currently estimated at 7%) as the ticket surcharge to be levied at the new arena. For as long as the ticket surcharge at the new arena is allocated to the City to pay for the costs of borrowing the \$125 million in construction cost to be paid by this user fee, the City will retain the revenue generated by the ticket surcharge at Rexall Place. City Council will determine the use of those funds; however, the intent of the agreement is for the funds not to go back to Northlands.</p> | <p>Once the new arena is open, all subsidies to Rexall Place will be eliminated. A ticket surcharge will be levied on admissions at Rexall Place and shall be at the same rate as the ticket surcharge to be charged on non-hockey events at the Downtown Arena, to a maximum of 7%. The proceeds of this surcharge will be remitted to the City.</p> |
| <p>The Edmonton Oilers Hockey Club will stay in Edmonton for 35 years.</p> | <p>The location agreement is to be supported by a letter of cooperation from the NHL.</p> |
| <p>Design process to be undertaken collaboratively between the City and the Katz Group.</p> | <p>The City and EAC will complete the design and building of the facility. Any disputes will be handled by Mr. Farbrother and Mr. Karvellas or their designees.</p> |
| <p>City access to the new arena for up to 28 days a year at its discretion.</p> | <p>No change. For clarification, the City will have access to the Arena and Wintergarden for up to 28 days a year at EAC's incremental cost with all food, beverage and other revenues accruing to EAC. The City's use will be for community purposes – not for CFR or other commercial events.</p> |
| <p>The Katz Group will enter into a Community benefits agreement with the</p> | <p>No change; however, additional clarification provided: Acknowledgement</p> |

| | |
|--|--|
| City, taking into account the activities of the Oilers Community Foundation. | of community contribution of Oiler's Community Foundation. In addition, both Parties commit to community benefits including (i) establishment of a community advisory committee to identify and address community issues, (ii) a senior member to the Oiler's operations will be available to meet at least annually with the community advisory committee, (iii) development/facilitation of training/employment for low-income/high need Edmontonians. |
| The Katz Group commits \$100 million to associated adjacent investment, with at least \$30 million to be invested prior to construction of the new downtown arena and the balance subject to commercial viability. | No change; however, if EAC elects not to proceed with the commercial development associated with the east side of the arena that necessitates a change in the design of the east wall of the Arena, the City will be responsible for the cost. |
| Any method of personal seat licenses, condominiumization model or seat rights would not be pursued by the Katz Group. | No Change |
| The City will enter into a marketing partnership with the Edmonton Oilers, investing \$2 million annually in a program to promote the image of the City and to build City recognition with the Oilers brand. The City will enjoy a most favoured nation status in its marketing package. The marketing package will be of a quality and impact that is consistent with arrangements with the private sector at a similar level. Included in the partnership program. | No Change |

Revised Negotiated Framework for a Downtown Arena

1. Sustainability of NHL Hockey in Edmonton is a prime consideration
2. The maximum price for the downtown arena building is \$480 million with the \$30 million increase over the original budget of \$450 million to be split 50/50 between the City and the Katz Group.
3. The Katz Group will pay the principal and interest costs associated with \$115 million of capital cost over 35 years through a lease payment.
4. The ticket surcharge is to be levied by the City with the rate to be determined by Edmonton Arena Corporation (EAC). The rate is to be at least sufficient to fund principal and interest payments for the repayment of the \$125 million of initial capital over a 35-year term and a \$1.5 million annual contribution to on-going major capital rehabilitation and replacement. The contribution to major on-going capital will be reviewed in 15 years. Funds generated by the surcharge in excess of these amounts will be retained by EAC.
5. The City will contribute \$140 million to fund the initial capital cost of the arena building. Ultimate funding sources for the City's contribution are to be approved by Council.
6. Land has been purchased at the same price and on the same conditions as in the Katz Group purchase agreements plus third party costs associated with the land acquisition and zoning. Administration negotiated an extension in the deadline in the Land Inventory Agreement from December 31, 2012 to April 30, 2013 as per Council direction.
7. The City's cost to build an LRT connection to the arena is to be capped at \$7 million. The City is responsible for all operating and on-going capital costs for the LRT connection.
8. The Wintergarden bridge over 104 Avenue is required adjacent infrastructure funded outside of the arena building. The Katz Group and the City will each pay half of cost; however, the City contribution is limited to no more than \$25 million of the net cost. The Katz Group contribution will be amortized over the 35 year term of the lease with interest costs included. If the net cost exceeds \$50 million, the Katz Group is to cover the overage. "Net Costs" means the gross cost of the Wintergarden less the reasonable value of the retail commercial space in the south end of the Wintergarden.
9. The City will proceed with the construction of the community rink for a maximum of \$21 million. The City will own and operate the rink with all revenues and costs accruing to the City. However, EAC will act as an agent for the City to solicit advertising and sponsorship revenue without commission or restriction in conjunction with advertising and sponsorship of the arena. This provides an opportunity for the City to share in the upside of sponsorship packages that include the community rink. Approval of sponsorship proposals for the community rink rests with the City.
10. EAC to have first right to negotiate up to 3 lease extensions for ten years and will have the first right of refusal on any subsequent lease or land and building sale negotiated with a 3rd party.
11. In the event of an EAC default under the lease, Rexall Sports Corp. (RSC), owner of the Edmonton Oilers, shall be obliged to cure the defaults under the lease and to assume all obligations under the lease in place of EAC. Alternatively, RSC may enter into a commitment to fund payments associated with the EAC's \$140 million contribution under a new lease with the City that is consistent with the existing Rexall Place lease (including F&B rights for hockey, but not in respect of other events, and excluding any reversion of ticket tax

to RSC). In any event, the City will have in place a ticket tax bylaw at a level sufficient to sustain the capital maintenance levels specified in the lease with EAC and to protect the City for the \$125 million ticket tax related debt.

12. EAC will operate the new arena and will pay all operating and maintenance expenses. Major building capital rehabilitation and replacement will be the responsibility of the City to be funded with \$1.5 million annually from the ticket surcharge. All other maintenance and capital enhancements and productivity improvements will be the responsibility of EAC. The City and the Katz Group have agreed on a definition of Capital Maintenance Costs and on an allocation of responsibility.
13. EAC will pay all required Education Property Taxes. The municipal property taxes to be paid by EAC and affiliates are to be a maximum of \$250,000 annually. This amount will be reduced to the extent that the aggregate municipal taxes levied on the arm's length sub-tenants of the Arena carrying on business only within event hours exceeds \$250,000 annually.
14. In order to move forward on the arena on a timely basis, the projected start date for construction would be August 2013 through a phased Guaranteed Maximum Price (GMP).
15. The City will continue to work to secure a \$100 million contribution to the project from the Province.
16. Once the new arena is open, all subsidies to Rexall Place will be eliminated. A ticket surcharge will be levied on admissions at Rexall Place and shall be at the same rate as the ticket surcharge to be charged on non-hockey events at the Downtown Arena, to a maximum of 7%. The proceeds of this surcharge will be remitted to the City.
17. The Edmonton Oilers Hockey Club will stay in Edmonton for 35 years. The location agreement is to be supported by a letter of cooperation from the NHL.
18. The City and EAC will complete the design and building of the facility. Any disputes will be handled by Mr. Farbrother and Mr. Karvellas or their designees.
19. The City will have access to the Arena and Wintergarden for up to 28 days a year at EAC's incremental cost with all food, beverage and other revenues accruing to EAC. The City's use will be for community purposes – not for CFR or other commercial events.
20. A community benefits agreement will be part of the Master Agreement. That agreement will be an acknowledgement of community contribution of Oiler's Community Foundation. In addition, both Parties commit to community benefits including (i) establishment of a community advisory committee to identify and address community issues, (ii) a senior member of the Oiler's operations will be available to meet at least annually with the community advisory committee, (iii) development/facilitation of training/employment for low-income/high need Edmontonians.
21. The Katz Group commits \$100 million to associated adjacent investment, with at least \$30 million to be invested prior to construction of the new downtown arena and the balance subject to commercial viability. If EAC elects not to proceed with the commercial development associated with the east side of the arena that necessitates a change in the design of the east wall of the Arena, the City will be responsible for the cost.
22. Any method of personal seat licenses, condominiumization model or seat rights will not be pursued by the Katz Group.

23. The City will enter into a marketing partnership with the Edmonton Oilers, investing \$2 million annually in a program to promote the image of the City and to build City recognition with the Oilers brand. The City will enjoy a most favoured nation status in its marketing package. The marketing package will be of a quality and impact that is consistent with arrangements with the private sector at a similar level.